

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2011

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MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Officials
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kenton Klenk	Board President	2013
Frank Hedges	Board Member	2011
Ralph Kaufman	Board Member	2011
Toby Gordon	Board Member	2011
David Baker	Board Member	2011
Dawn Dunnegan	Board Member	2013
Michael Brown	Board Member	2013
School Officials		
Greg Ray	Superintendent	2011
Dawn Kelly	District Secretary/Treasurer	Indefinite
Lynch Dallas,P.C.	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite 3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District, Mediapolis, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Mediapolis Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 1, 2012 on my consideration of Mediapolis Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mediapolis Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.



Kay L. Chapman, CPA PC
February 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mediapolis Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,590,111 in fiscal 2010 to \$8,072,145 in fiscal 2011, and General Fund expenditures increased from \$7,778,716 in fiscal 2010 to \$8,108,697 in fiscal 2011. The District's General Fund balance decreased from \$1,560,723 in fiscal 2010 to \$1,467,029 in fiscal 2011, a 6% decrease.
- Student enrollment was down in September 2011 to 812.7 resident students from 826.8 resident students the previous year.
- The long-term roof replacement project continued with portions of the school roof being replaced during the spring of 2011. This part of the project was completed at a total cost of \$192,445, which was paid out of the Capital Projects Fund.
- The District purchased a new 71-passenger bus in 2010-11 as the fleet continues to be updated. This bus was purchased for a total of \$79,703, using PPEL dollars.
- A new district-wide wireless system was installed during 2010-11. The cost of this system was \$70,938 and was paid out of the PPEL Fund.
- Two Suburbans were purchased in the spring of 2011 for use in transporting our special education students to special programs. The cost of these vehicles totaled \$67,778, using special education dollars.
- Work began late spring 2011 on the high school concourse restrooms to bring them into compliance with the ADA. At the same time, renovation work was also begun on the high school office area. These projects are expected to be completed late summer 2011 at a construction cost of \$220,331, to be paid out of the Capital Projects Fund.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mediapolis Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mediapolis Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Mediapolis Community School District Annual Financial Report

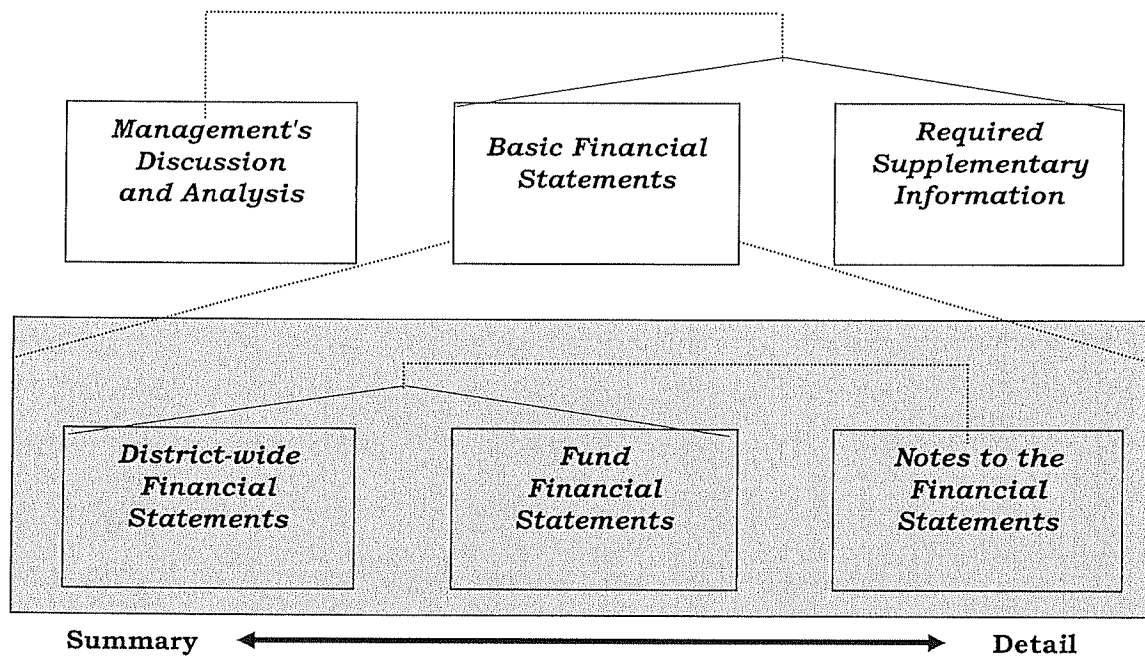


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool program
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change 2010- 2011
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 8,213,408	\$ 7,875,101	\$ 101,972	\$ 80,852	\$ 8,315,380	\$ 7,955,953	4.52%
Capital assets	<u>10,763,565</u>	<u>10,825,445</u>	<u>26,009</u>	<u>31,266</u>	<u>10,789,574</u>	<u>10,856,711</u>	-0.62%
Total assets	<u>18,976,973</u>	<u>18,700,546</u>	<u>127,981</u>	<u>112,118</u>	<u>19,104,954</u>	<u>18,812,664</u>	1.55%
Long-term liabilities	112,839	88,989	-	-	112,839	88,989	26.80%
Other liabilities	<u>4,183,112</u>	<u>3,941,877</u>	<u>10,465</u>	<u>10,209</u>	<u>4,193,577</u>	<u>3,952,086</u>	6.11%
Total liabilities	<u>4,295,951</u>	<u>4,030,866</u>	<u>10,465</u>	<u>10,209</u>	<u>4,306,416</u>	<u>4,041,075</u>	6.57%
Net assets							
Invested in capital assets,							
net of related debt	10,763,565	10,825,445	26,009	31,266	10,789,574	10,856,711	-0.62%
Restricted	2,286,660	2,040,441	-	-	2,286,660	2,040,441	12.07%
Unrestricted	<u>1,630,797</u>	<u>1,803,794</u>	<u>91,507</u>	<u>70,643</u>	<u>1,722,304</u>	<u>1,874,437</u>	-8.12%
Total net assets	<u>\$ 14,681,022</u>	<u>\$ 14,669,680</u>	<u>\$ 117,516</u>	<u>\$ 101,909</u>	<u>\$ 14,798,538</u>	<u>\$ 14,771,589</u>	0.18%

The District's combined net assets increased by less than 1%, or \$26,949, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$246,219, or approximately 12% over the prior year.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$152,133 or approximately 8%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program revenues							
Charges for service and sales	\$ 886,788	\$ 795,243	\$ 220,538	\$ 224,804	\$ 1,107,326	\$ 1,020,047	8.56%
Operating grants	1,327,228	1,563,444	153,944	163,027	1,481,172	1,726,471	-14.21%
General revenues							
Property tax	3,187,021	3,104,067	-	-	3,187,021	3,104,067	2.67%
Statewide sales, services and use tax	661,217	728,544	-	-	661,217	728,544	-9.24%
Unrestricted state grants	3,064,808	2,852,376	-	-	3,064,808	2,852,376	7.45%
Contributions and donations	5,858	14,373	-	-	5,858	14,373	-59.24%
Unrestricted investment earnings	34,200	31,881	177	68	34,377	31,949	7.60%
Other	33,221	10,777	-	-	33,221	10,777	208.26%
Special item - gain on sale of assets	538	-	-	-	538	-	100.00%
Total revenues and special item	<u>9,200,879</u>	<u>9,100,705</u>	<u>374,659</u>	<u>387,899</u>	<u>9,575,538</u>	<u>9,488,604</u>	0.92%
Program expenses							
Governmental activities							
Instruction	6,051,240	5,624,243	-	-	6,051,240	5,624,243	7.59%
Support services	2,277,689	2,343,201	-	-	2,277,689	2,343,201	-2.80%
Non-instructional programs	4,603	9,536	416,732	437,450	421,335	446,986	-5.74%
Other expenses	<u>798,325</u>	<u>666,676</u>	<u>-</u>	<u>-</u>	<u>798,325</u>	<u>666,676</u>	19.75%
Total expenses	<u>9,131,857</u>	<u>8,643,656</u>	<u>416,732</u>	<u>437,450</u>	<u>9,548,589</u>	<u>9,081,106</u>	5.15%
Change in net assets before transfers and special item	69,022	457,049	(42,073)	(49,551)	26,949	407,498	-93.39%
Special item - loss on sale of assets	-	(8,472)	-	-	-	(8,472)	-100.00%
Transfers	<u>(57,680)</u>	<u>(110,995)</u>	<u>57,680</u>	<u>110,995</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	11,342	337,582	15,607	61,444	26,949	399,026	-93.25%
Net assets, beginning of year, as corrected	<u>14,669,680</u>	<u>14,332,098</u>	<u>101,909</u>	<u>40,465</u>	<u>14,771,589</u>	<u>14,372,563</u>	2.78%
Net assets, end of year	<u>\$ 14,681,022</u>	<u>\$ 14,669,680</u>	<u>\$ 117,516</u>	<u>\$ 101,909</u>	<u>\$ 14,798,538</u>	<u>\$ 14,771,589</u>	0.18%

In fiscal 2011, property tax and unrestricted state grants account for 68% of the revenue from governmental activities while charges for service and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were \$9,575,538 of which \$9,200,879 was for governmental activities and \$374,659 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1% increase in revenues and a 5% increase in expenses. The increase in revenues is mostly related to an increase in open enrollment in students (charges for services). The increase in expenses is mostly related to increases in negotiated salaries and benefits, inflationary increases in the cost of fuel and utilities, and needed facilities' acquisitions.

Governmental Activities

Revenues for governmental activities were \$9,200,879 and expenses were \$9,131,857 for the year ended June 30, 2011. The District continues to balance the budget by monitoring expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 6,051,240	\$ 5,624,243	7.6%	\$ 4,187,774	\$ 3,615,572	15.8%
Support services	2,277,689	2,343,201	-2.8%	2,276,394	2,343,201	-2.9%
Non-instructional programs	4,603	9,536	-51.7%	4,603	9,536	-51.7%
Other expenses	<u>798,325</u>	<u>666,676</u>	19.7%	<u>449,070</u>	<u>316,660</u>	41.8%
Total expenses	<u>\$ 9,131,857</u>	<u>\$ 8,643,656</u>	5.6%	<u>\$ 6,917,841</u>	<u>\$ 6,284,969</u>	10.1%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$886,788.
- Federal and state governments subsidized certain programs with grants totaling \$1,327,228.
- The net cost of governmental activities was financed with \$3,848,238 in property and other taxes and \$3,064,808 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$374,659 representing a 3% decrease from the prior year and expenses were \$416,732, a 5% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Nutrition Fund had a net income of \$3,070 for fiscal year 2011 and at 6/30/2011 had a positive net assets balance. Student breakfast and lunch prices are considered adequate at this time. The Board will continue to monitor the Nutrition Fund's yearly revenue and expenses and make adjustments, if needed.

Also during fiscal 2011, the District continued its Pre-K program. State funding follows a year behind in this type of program. The Pre-K Fund showed a net income of \$12,537 (after transfers) for fiscal year 2011 and at 6/30/2011, the Pre-K program had a positive net assets balance. The Board will continue to closely monitor this program and make any adjustments if required.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mediapolis Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,723,439, well above last year's ending fund balances of \$3,453,021. The primary reason for the increase in combined balances in fiscal 2011 was an increase in the Capital Projects Fund due to local option sales tax revenue.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,560,723 at June 30, 2010 to \$1,467,029 at June 30, 2011. This decrease was due in part to an increase in negotiated salaries and benefits, as well inflationary fuel and utilities costs and some unexpected transportation costs. Also, there was no cash reserve levy in 2010-11, as the unassigned balance was being used.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$947,579 in fiscal 2010 to \$1,345,599 in fiscal 2011 due to fiscal year 2011 local option sales, services and use tax receipts being higher than fiscal year 2011 expenditures for site improvement projects.

Proprietary Fund Highlights

Proprietary Fund net assets increased from \$101,909 at June 30, 2010 to \$117,516 at June 30, 2011, representing an increase of approximately 15%. The increase is attributed to close monitoring of expenses.

BUDGETARY HIGHLIGHTS

During the 2011 year, Mediapolis Community School District did not amend its budget.

The District's revenues were \$250,512 less than budgeted revenues, a variance of 3%. This was due in part to a conservative approach to budgeting estimated revenues for fiscal year 2011.

Total expenditures were \$1,958,444 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$10,789,574 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$538,952.

The original cost of the District's capital assets was \$17,137,371. Governmental funds account for \$16,976,421, with the remainder of \$160,950 accounted for in the Proprietary, School Nutrition Fund.

The biggest change in capital asset activity during the year occurred in the improvements other than buildings category, which decreased from \$282,045 in 2010 to \$262,722 in 2011 due to annual depreciation expense.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 65,743	\$ 65,743	\$ -	\$ -	\$ 65,743	\$ 65,743	0.00%
Buildings and improvements	9,546,014	9,640,754	-	-	9,546,014	9,640,754	-0.98%
Improvements, other than buildings	262,722	282,045	-	-	262,722	282,045	-6.85%
Furniture and equipment	889,086	836,903	26,009	31,266	915,095	868,169	5.41%
Totals	<u>\$ 10,763,565</u>	<u>\$ 10,825,445</u>	<u>\$ 26,009</u>	<u>\$ 31,266</u>	<u>\$ 10,789,574</u>	<u>\$ 10,856,711</u>	-0.62%

Long-Term Debt

At June 30, 2011, the District had \$112,839 in general obligation and other long-term debt outstanding. This represents an increase of approximately 27% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.5 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Governmental activities			
Compensated absences	\$ 8,322	\$ 13,288	-37.37%
Termination benefits	82,819	64,590	28.22%
Net OPEB liability	<u>21,698</u>	<u>11,111</u>	95.28%
Total	<u>\$112,839</u>	<u>\$ 88,989</u>	26.80%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District continues to experience a small decline in enrollment.
- The bus replacement program will continue with replacement of one bus during 2011-12.
- A five-year roof replacement program, which was begun in 2008, will continue and be completed with work during the spring and summer of 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dawn Kelly, District Secretary/Treasurer, Mediapolis Community School District, 725 N. Northfield Street, Mediapolis, Iowa 52637.

Basic Financial Statements

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,512,126	\$ 84,791	\$ 4,596,917
Receivables			
Property tax			
Delinquent	29,231	-	29,231
Succeeding year	3,178,863	-	3,178,863
Accounts receivable	43,221	400	43,621
Income surtaxes	286,108	-	286,108
Due from other governments	163,859	-	163,859
Inventories	-	16,781	16,781
Non-depreciable capital assets	65,743	-	65,743
Capital assets, net of accumulated depreciation	10,697,822	26,009	10,723,831
Total assets	<u>18,976,973</u>	<u>127,981</u>	<u>19,104,954</u>
Liabilities			
Accounts payable	253,586	370	253,956
Salaries and benefits payable	750,663	10,095	760,758
Deferred revenue			
Succeeding year property tax	3,178,863	-	3,178,863
Long-term liabilities			
Portion due within one year			
Termination benefits payable	69,819	-	69,819
Portion due after one year			
Compensated absences	8,322	-	8,322
Termination benefits payable	13,000	-	13,000
Net OPEB liability	21,698	-	21,698
Total liabilities	<u>4,295,951</u>	<u>10,465</u>	<u>4,306,416</u>
Net Assets			
Invested in capital assets	10,763,565	26,009	10,789,574
Restricted for			
Categorical funding	113,069	-	113,069
Management levy purposes	226,783	-	226,783
Physical plant and equipment	448,098	-	448,098
Student activities	153,111	-	153,111
School infrastructure	1,345,599	-	1,345,599
Unrestricted	1,630,797	91,507	1,722,304
Total net assets	<u>\$ 14,681,022</u>	<u>\$117,516</u>	<u>\$14,798,538</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Business Type Activities</u>
Governmental activities					
Instruction					
Regular instruction	\$ 3,822,897	\$ 806,329	\$ 873,305	\$ -	\$ (2,143,263)
Special instruction	1,149,007	71,756	91,624	-	(985,627)
Other instruction	1,079,336	8,703	11,749	-	(1,058,884)
	6,051,240	886,788	976,678	-	(4,187,774)
Support services					
Student	134,658	-	-	-	(134,658)
Instructional staff	307,098	-	-	-	(307,098)
Administration	654,917	-	-	-	(654,917)
Operation and maintenance of plant	584,793	-	-	-	(584,793)
Transportation	596,223	-	1,295	-	(594,928)
	2,277,689	-	1,295	-	(2,276,394)
	4,603	-	-	-	(4,603)
Non-instructional programs					
Other expenses					
Facilities acquisition	117,132	-	-	-	(117,132)
AEA flowthrough	349,255	-	349,255	-	-
Depreciation (unallocated) *	331,938	-	-	-	(331,938)
	798,325	-	349,255	-	(449,070)
	9,131,857	886,788	1,327,228	-	(6,917,841)
Total governmental activities					

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<u>Functions/Programs (continued)</u>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 353,789	\$ 202,738	\$ 153,944	\$ -	\$ 2,893
Preschool program	62,943	17,800	-	-	(45,143)
Total business type activities	416,732	220,538	153,944	-	(42,250)
Total	\$ 9,548,589	\$ 1,107,326	\$ 1,481,172	\$ -	(6,960,091)
<u>General Revenues</u>					
Property tax levied for					
General purposes					
Capital outlay					
Statewide sales, services and use tax					
Unrestricted state grants					
Contributions and donations					
Unrestricted investment earnings					
Other					
Transfers					
Special item - gain on sale of assets					
Total general revenues, special item and transfers					
Change in net assets					
Net assets, beginning of year, as corrected					
Net assets, end of year					

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit C

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,299,789	\$ 1,291,115	\$ 921,222	\$4,512,126
Receivables				
Property tax				
Delinquent	26,467	-	2,764	29,231
Succeeding year	2,874,056	-	304,807	3,178,863
Accounts receivable	38,750	-	4,471	43,221
Income surtax	163,490	-	122,618	286,108
Due from other governments	60,868	102,988	3	163,859
Due from other fund	3,190	-	1,041	4,231
Total assets	<u>\$ 5,466,610</u>	<u>\$ 1,394,103</u>	<u>\$ 1,356,926</u>	<u>\$8,217,639</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 193,378	\$ 47,463	\$ 12,745	\$ 253,586
Due to other funds	-	1,041	3,190	4,231
Salaries and benefits payable	747,908	-	2,755	750,663
Deferred revenue				
Succeeding year property tax	2,874,056	-	304,807	3,178,863
Income surtax	163,490	-	122,618	286,108
Other	20,749	-	-	20,749
Total liabilities	<u>3,999,581</u>	<u>48,504</u>	<u>446,115</u>	<u>4,494,200</u>
Fund balances				
Restricted for				
Categorical funding	113,069	-	-	113,069
School infrastructure	-	1,345,599	-	1,345,599
Student activities	-	-	153,111	153,111
Management levy purposes	-	-	309,602	309,602
Physical plant and equipment	-	-	448,098	448,098
Unassigned	1,353,960	-	-	1,353,960
Total fund balances	<u>1,467,029</u>	<u>1,345,599</u>	<u>910,811</u>	<u>3,723,439</u>
Total liabilities and fund balances	<u>\$ 5,466,610</u>	<u>\$ 1,394,103</u>	<u>\$ 1,356,926</u>	<u>\$8,217,639</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2011

Exhibit D

Total fund balances of governmental funds	\$ 3,723,439
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,763,565
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	306,857
Long-term liabilities, including compensated absences, termination benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(112,839)</u>
 Net assets of governmental activities	 <u>\$14,681,022</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

		Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues	<u>General</u>			
Local sources				
Local tax	\$2,932,020	\$ 661,217	\$ 327,317	\$3,920,554
Tuition	550,934	-	-	550,934
Other	96,634	8,089	304,408	409,131
State sources	4,025,749	337	174	4,026,260
Federal sources	466,808	-	-	466,808
Total revenues	<u>8,072,145</u>	<u>669,643</u>	<u>631,899</u>	<u>9,373,687</u>
Expenditures				
Current				
Instruction				
Regular	3,783,349	-	35,805	3,819,154
Special	1,147,382	-	-	1,147,382
Other	746,840	-	301,738	1,048,578
	<u>5,677,571</u>	<u>-</u>	<u>337,543</u>	<u>6,015,114</u>
Support services				
Student	134,220	-	230	134,450
Instructional staff	306,429	-	230	306,659
Administration	606,585	-	29,429	636,014
Operation and maintenance of plant	551,278	-	25,109	576,387
Transportation	483,359	-	100,324	583,683
	<u>2,081,871</u>	<u>-</u>	<u>155,322</u>	<u>2,237,193</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>4,603</u>	<u>4,603</u>
Other expenditures				
Facilities acquisition	-	271,623	168,339	439,962
AEA flowthrough	349,255	-	-	349,255
	<u>349,255</u>	<u>271,623</u>	<u>168,339</u>	<u>789,217</u>
Total expenditures	<u>8,108,697</u>	<u>271,623</u>	<u>665,807</u>	<u>9,046,127</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (36,552)</u>	<u>\$ 398,020</u>	<u>\$ (33,908)</u>	<u>\$ 327,560</u>
Other financing sources (uses)				
Sale of equipment and materials	538	-	-	538
Interfund operating transfers (out)	<u>(57,680)</u>	<u>-</u>	<u>-</u>	<u>(57,680)</u>
Total other financing (uses)	<u>(57,142)</u>	<u>-</u>	<u>-</u>	<u>(57,142)</u>
Net change in fund balances	(93,694)	398,020	(33,908)	270,418
Fund balance, beginning of year, as restated	<u>1,560,723</u>	<u>947,579</u>	<u>944,719</u>	<u>3,453,021</u>
Fund balance, end of year	<u>\$1,467,029</u>	<u>\$1,345,599</u>	<u>\$ 910,811</u>	<u>\$3,723,439</u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit F

Net change in fund balances - total governmental funds	\$270,418
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$470,311	
Depreciation expense	<u>(532,191)</u>	(61,880)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(173,346)
--	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ (18,229)	
Compensated absences	4,966	
Other postemployment benefits	<u>(10,587)</u>	<u>(23,850)</u>

Change in net assets of governmental activities	<u>\$ 11,342</u>
--	-------------------------

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2011

Exhibit G

Nonmajor
Enterprise
Funds

Assets

Cash and cash equivalents	\$ 84,791
Accounts receivable	400
Inventories	16,781
Capital assets, net of accumulated depreciation	<u>26,009</u>
Total assets	<u>127,981</u>

Liabilities

Accounts payable	370
Salaries and benefits payable	<u>10,095</u>
Total liabilities	<u>10,465</u>

Net Assets

Invested in capital assets	26,009
Unrestricted	<u>91,507</u>
Total net assets	<u><u>\$117,516</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit H

	Nonmajor Enterprise <u>Funds</u>
Operating revenue	
Local sources	
Charges for service	<u>\$220,538</u>
Operating expenses	
Instruction	
Regular	62,943
Support services	
Administration	19,810
Operation and maintenance of plant	4,378
Non-instructional programs	
Food service operations	<u>329,601</u>
Total operating expenses	<u>416,732</u>
Operating loss	<u>(196,194)</u>
Non-operating revenues	
Interest income	177
State sources	3,454
Federal sources	<u>150,490</u>
Total non-operating revenues	<u>154,121</u>
Net loss before transfers	(42,073)
Transfers in	<u>57,680</u>
Net income	15,607
Net assets, beginning of year, as corrected	<u>101,909</u>
Net assets, end of year	<u><u>\$117,516</u></u>

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit I

	Nonmajor Enterprise Funds
Cash flows from operating activities	
Cash received from sale of services	\$ 220,138
Cash payments to employees for services	(221,769)
Cash payments to suppliers for goods and services	(165,336)
Net cash used in operating activities	<u>(166,967)</u>
Cash flows from non-capital financing activities	
Operating transfers from other fund	57,680
State grants received	3,454
Federal grants received	129,333
Net cash provided by non-capital financing activities	<u>190,467</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(1,504)</u>
Cash flows from investing activities	
Interest on investments	<u>177</u>
Net increase in cash and cash equivalents	22,173
Cash and cash equivalents, beginning of year	62,618
Cash and cash equivalents, end of year	<u><u>\$ 84,791</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(196,194)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,761
Commodities used	21,157
Decrease in accounts receivable	(400)
(Increase) in inventory	1,453
(Decrease) in accounts payable	(156)
Increase in accrued salaries and benefits	412
Net cash used in operating activities	<u><u>\$(166,967)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2011 the District received \$21,157 of federal commodities.

See notes to financial statements.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The Mediapolis Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, as well as a preschool program. The geographic area served includes the City of Mediapolis, Iowa, and the agricultural territory in Des Moines and Louisa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mediapolis Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Mediapolis Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District and the Enterprise, Preschool Fund is used to account for the operation of the district-run preschool.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-

wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as succeeding year property tax and income surtaxes not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Termination Benefits - Certified District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$226,783 for management levy purposes, \$448,098 for physical plant and equipment, \$153,111 for student activities and \$1,345,599 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$18,759 pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Capital Projects	
Nonmajor Special Revenue	Statewide Sales, Services and Use Tax	\$ 1,041
General	Nonmajor Special Revenue	<u>3,190</u>
Totals		<u>\$ 4,231</u>

These interfund receivables and payables are to move expenditures to the more appropriate fund from the fund where the expenditures were originally expended.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor enterprise		
Preschool	General	\$ 57,680

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the General Fund to the Preschool Fund was for state foundation aid received for 5-year olds enrolled in the preschool program.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 65,743	\$ -	\$ -	\$ 65,743
Capital assets being depreciated:				
Buildings and improvements	13,921,769	192,445	-	14,114,214
Improvements other than buildings	800,912	13,145	-	814,057
Furniture and equipment	<u>1,837,526</u>	<u>264,721</u>	<u>(119,840)</u>	<u>1,982,407</u>
Total capital assets being depreciated	<u>16,560,207</u>	<u>470,311</u>	<u>(119,840)</u>	<u>16,910,678</u>
Less accumulated depreciation for:				
Buildings and improvements	4,281,015	287,185	-	4,568,200
Improvements other than buildings	518,867	32,468	-	551,335
Furniture and equipment	<u>1,000,623</u>	<u>212,538</u>	<u>(119,840)</u>	<u>1,093,321</u>
Total accumulated depreciation	<u>5,800,505</u>	<u>532,191</u>	<u>(119,840)</u>	<u>6,212,856</u>
Total capital assets being depreciated, net	<u>10,759,702</u>	<u>(61,880)</u>	-	<u>10,697,822</u>
Governmental activities capital assets, net	<u>\$ 10,825,445</u>	<u>\$ (61,880)</u>	<u>\$ -</u>	<u>\$ 10,763,565</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 185,031	\$ 1,504	\$ (25,585)	\$ 160,950
Less accumulated depreciation	<u>153,765</u>	<u>6,761</u>	<u>(25,585)</u>	<u>134,941</u>
Business type activities capital assets, net	<u>\$ 31,266</u>	<u>\$ (5,257)</u>	<u>\$ -</u>	<u>\$ 26,009</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 6,761
Other	29,273
Support services	
Administration	5,107
Operation and maintenance of plant	8,391
Transportation	<u>150,721</u>
	200,253
Unallocated depreciation	<u>331,938</u>
Total governmental activities depreciation expense	<u>\$ 532,191</u>

Business type activities

Food services	<u>\$ 6,761</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Compensated absences	\$ 13,288	\$ 16,359	\$(21,325)	\$ 8,322	\$ -
Termination benefits	64,590	69,257	(51,028)	82,819	69,819
Net OPEB liability	<u>11,111</u>	<u>10,587</u>	<u>-</u>	<u>21,698</u>	<u>-</u>
Totals	<u>\$ 88,989</u>	<u>\$ 96,203</u>	<u>\$(72,353)</u>	<u>\$ 112,839</u>	<u>\$ 69,819</u>

There was no interest costs incurred and charged to expense for the year ended June 30, 2011.

Termination Benefits

Certified District employees who have 15 years of continuous service and are at least 55 years of age, are eligible for early retirement pay. Employees who participate in the early retirement program shall receive a benefit of \$30,000. Non-certified employees who are 55 years of age or older and have 10 years of service to the District also qualify for early retirement benefits. The retirement benefit for non-certified employees is equal to two and one-half days' pay for each year of service to the District. Early retirement expenditures for the year ended June 30, 2011 totaled \$51,028. At June 30, 2011, the District had obligations to six participants with a total liability of \$82,819 for termination benefits.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$370,968, \$342,476 and \$328,935, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 25 active and three retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 14,052
Interest on net OPEB obligation	278
Adjustment to annual required contribution	<u>(1,068)</u>
Annual OPEB cost	13,262
Contributions made	<u>(2,675)</u>
Increase in net OPEB obligation	10,587
Net OPEB obligation beginning of year	<u>11,111</u>
Net OPEB obligation end of year	<u>\$ 21,698</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$2,675 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 13,054	14.9%	\$ 11,111
2011	14,052	20.2%	\$ 21,698

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$120,826, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,826. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.6 million and the ratio of UAAL to covered payroll was 2.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$349,255 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any,

based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	
Property tax and state aid financed home school assistance program	\$ 18,334
Property tax and state aid financed weighted at-risk program	15,980
Returning dropouts and dropout prevention programs	7,336
Teacher comp, beginning teacher mentoring and induction program	1,128
Teacher comp, teacher salary supplement	30,494
Educator quality, Iowa core curriculum	16,131
Educator quality, professional development	17,281
Educator qualify, market factor incentives	<u>6,385</u>
	<u>\$ 113,069</u>

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue</u>
	<u>Physical Plant and Equipment Levy</u>	<u>Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	\$ 525,131
Change in fund type classification per implementation of GASB Statement No. 54	<u>525,131</u>	<u>(525,131)</u>
Balances July 1, 2010, as restated	<u>\$ 525,131</u>	<u>\$ -</u>

The School Nutrition Fund balance at July 1, 2010 was corrected due to errors found in equipment cost and accumulated depreciation reported on the prior year financial statements. The beginning balance of the School Nutrition Fund was reduced by \$13,741 to correct these previous misstatements.

Note 14. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial

statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

- GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements

-- and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Required Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>	Budgeted Amounts <u>Original</u>	<u>Final</u>	Final to Actual Variance
Revenues						
Local sources	\$4,880,619	\$220,715	\$5,101,334	\$5,143,309	\$5,143,309	\$ (41,975)
State sources	4,026,260	3,454	4,029,714	4,503,549	4,503,549	(473,835)
Federal sources	466,808	150,490	617,298	352,000	352,000	265,298
Total revenues	<u>9,373,687</u>	<u>374,659</u>	<u>9,748,346</u>	<u>9,998,858</u>	<u>9,998,858</u>	<u>(250,512)</u>
Expenditures/Expenses						
Instruction	6,015,114	62,943	6,078,057	6,522,368	6,522,368	444,311
Support services	2,237,193	24,188	2,261,381	3,117,920	3,117,920	856,539
Non-instructional programs	4,603	329,601	334,204	392,132	392,132	57,928
Other expenditures	789,217	-	789,217	1,388,883	1,388,883	599,666
Total expenditures/expenses	<u>9,046,127</u>	<u>416,732</u>	<u>9,462,859</u>	<u>11,421,303</u>	<u>11,421,303</u>	<u>1,958,444</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	327,560	(42,073)	285,487	(1,422,445)	(1,422,445)	1,707,932
Net other financing sources (uses)	<u>(57,142)</u>	<u>57,680</u>	<u>538</u>	<u>3,500</u>	<u>3,500</u>	<u>(2,962)</u>
Net change in fund balance	270,418	15,607	286,025	(1,418,945)	(1,418,945)	1,704,970
Balance, beginning of year, as corrected	<u>3,453,021</u>	<u>101,909</u>	<u>3,554,930</u>	<u>1,920,727</u>	<u>1,920,727</u>	<u>1,634,203</u>
Balance, end of year	<u>\$3,723,439</u>	<u>\$117,516</u>	<u>\$3,840,955</u>	<u>\$ 501,782</u>	<u>\$ 501,782</u>	<u>\$3,339,173</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its published budget during the year ended June 30, 2011.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$120,826	\$120,826	\$ -	\$4,483,521	2.7%
2011	July 1, 2009	-	120,826	120,826	-	4,609,329	2.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 164,156	\$ 311,239	\$ 445,827	\$ 921,222
Receivables				
Property tax				
Delinquent	-	1,535	1,229	2,764
Succeeding year	-	159,999	144,808	304,807
Accounts receivable	4,471	-	-	4,471
Income surtax	-	-	122,618	122,618
Due from other governments	-	2	1	3
Due from other funds	-	-	1,041	1,041
Total assets	<u>\$ 168,627</u>	<u>\$ 472,775</u>	<u>\$ 715,524</u>	<u>\$ 1,356,926</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 12,745	\$ -	\$ -	\$ 12,745
Due to other funds	16	3,174	-	3,190
Salaries and benefits payable	2,755	-	-	2,755
Deferred revenue				
Succeeding year property tax	-	159,999	144,808	304,807
Income surtax	-	-	122,618	122,618
Total liabilities	<u>15,516</u>	<u>163,173</u>	<u>267,426</u>	<u>446,115</u>
Fund balances				
Restricted for				
Student activities	153,111	-	-	153,111
Management levy purposes	-	309,602	-	309,602
Physical plant and equipment	-	-	448,098	448,098
Total fund balances	<u>153,111</u>	<u>309,602</u>	<u>448,098</u>	<u>910,811</u>
Total liabilities and fund balances	<u>\$ 168,627</u>	<u>\$ 472,775</u>	<u>\$ 715,524</u>	<u>\$ 1,356,926</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ -	\$159,804	\$167,513	\$ 327,317
Other	297,496	2,382	4,530	304,408
State sources	-	98	76	174
Total revenues	<u>297,496</u>	<u>162,284</u>	<u>172,119</u>	<u>631,899</u>
Expenditures				
Current				
Instruction				
Regular	-	35,805	-	35,805
Other	301,738	-	-	301,738
Total instruction	<u>301,738</u>	<u>35,805</u>	<u>-</u>	<u>337,543</u>
Support services				
Student	-	230	-	230
Instructional staff	-	230	-	230
Administration	-	29,429	-	29,429
Operation and maintenance of plant	-	25,109	-	25,109
Transportation	-	19,511	80,813	100,324
Total support services	<u>-</u>	<u>74,509</u>	<u>80,813</u>	<u>155,322</u>
Non-instructional programs	<u>-</u>	<u>4,603</u>	<u>-</u>	<u>4,603</u>
Other expenditures				
Facilities acquisition	-	-	168,339	168,339
Total expenditures	<u>301,738</u>	<u>114,917</u>	<u>249,152</u>	<u>665,807</u>
Net change in fund balances	(4,242)	47,367	(77,033)	(33,908)
Fund balances, beginning of year, as restated	157,353	262,235	525,131	944,719
Fund balances, end of year	<u>\$ 153,111</u>	<u>\$309,602</u>	<u>\$448,098</u>	<u>\$ 910,811</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 49,260	\$ 35,531	\$ 84,791
Accounts receivable	-	400	400
Inventories	16,781	-	16,781
Capital assets, net of accumulated depreciation	<u>26,009</u>	<u>-</u>	<u>26,009</u>
Total assets	<u>92,050</u>	<u>35,931</u>	<u>127,981</u>
Liabilities			
Accounts payable	370	-	370
Salaries and benefits payable	<u>1,773</u>	<u>8,322</u>	<u>10,095</u>
Total liabilities	<u>2,143</u>	<u>8,322</u>	<u>10,465</u>
Net Assets			
Invested in capital assets	26,009	-	26,009
Unrestricted	<u>63,898</u>	<u>27,609</u>	<u>91,507</u>
Total net assets	<u><u>\$ 89,907</u></u>	<u><u>\$ 27,609</u></u>	<u><u>\$117,516</u></u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

Schedule 4

	School Nutrition	Preschool	Total
Operating revenue			
Local sources			
Charges for service	\$ 202,738	\$ 17,800	\$220,538
Operating expenses			
Instruction			
Regular			
Salaries	-	46,044	46,044
Benefits	-	16,691	16,691
Supplies	-	208	208
	-	62,943	62,943
Support services			
Administration			
Salaries	10,525	-	10,525
Benefits	9,285	-	9,285
	19,810	-	19,810
Operation and maintenance of plant			
Purchased services	4,378	-	4,378
Non-instructional programs			
Food service operations			
Salaries	103,958	-	103,958
Benefits	35,678	-	35,678
Purchased services	1,986	-	1,986
Supplies	181,218	-	181,218
Depreciation	6,761	-	6,761
	329,601	-	329,601
Total operating expenses	353,789	62,943	416,732
Operating loss	(151,051)	(45,143)	(196,194)
Non-operating revenue			
Interest income	177	-	177
State sources	3,454	-	3,454
Federal sources	150,490	-	150,490
Total non-operating revenue	154,121	-	154,121
Net income (loss) before transfers	3,070	(45,143)	(42,073)
Transfers in	-	57,680	57,680
Net income	3,070	12,537	15,607
Net assets, beginning of year, as corrected	86,837	15,072	101,909
Net assets, end of year	\$ 89,907	\$ 27,609	\$117,516

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 202,738	\$ 17,400	\$ 220,138
Cash payments to employees for services	(159,392)	(62,377)	(221,769)
Cash payments to suppliers for goods and services	<u>(165,036)</u>	<u>(300)</u>	<u>(165,336)</u>
Net cash used in operating activities	<u>(121,690)</u>	<u>(45,277)</u>	<u>(166,967)</u>
Cash flows from non-capital financing activities			
Operating transfers from other fund	-	57,680	57,680
State grants received	3,454	-	3,454
Federal grants received	<u>129,333</u>	<u>-</u>	<u>129,333</u>
Net cash provided by non-capital financing activities	<u>132,787</u>	<u>57,680</u>	<u>190,467</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(1,504)</u>	<u>-</u>	<u>(1,504)</u>
Cash flows from investing activities			
Interest on investments	<u>177</u>	<u>-</u>	<u>177</u>
Net increase in cash and cash equivalents	9,770	12,403	22,173
Cash and cash equivalents, beginning of year	<u>39,490</u>	<u>23,128</u>	<u>62,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 49,260</u></u>	<u><u>\$ 35,531</u></u>	<u><u>\$ 84,791</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (151,051)	\$ (45,143)	\$ (196,194)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	6,761	-	6,761
Commodities used	21,157	-	21,157
(Increase) in accounts receivable	-	(400)	(400)
Decrease in inventory	1,453	-	1,453
(Decrease) in accounts payable	(64)	(92)	(156)
Increase in accrued salaries and benefits	<u>54</u>	<u>358</u>	<u>412</u>
Net cash used in operating activities	<u><u>\$ (121,690)</u></u>	<u><u>\$ (45,277)</u></u>	<u><u>\$ (166,967)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011 the District received \$21,157 of federal commodities.

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 79,143	\$ 81,158	\$ 88,966	\$ -	\$ 71,335
Middle school athletics	22,383	13,057	8,436	-	27,004
Athletic scholarship	-	250	-	-	250
Beverage contract	4,520	4,500	-	-	9,020
Cheerleaders	488	-	-	-	488
Concessions	(3,800)	45,717	41,206	-	711
FFA	10,075	57,082	64,246	-	2,911
FFA Tractor Restoration	98	-	66	-	32
FFA Scholarship	650	-	-	-	650
FCCLA	2,245	2,607	2,763	-	2,089
Band	1,843	846	1,645	-	1,044
High school student council	712	7,231	11,149	5,782	2,576
SADD	-	50	18	443	475
Vocal music	1,018	5,505	5,365	-	1,158
National Honor Society	4,629	15,897	17,001	-	3,525
NHS scholarship/memorial	-	600	600	-	-
Science club	586	2,572	2,337	-	821
Spanish club	360	9,285	9,613	-	32
HS drama	3,617	1,785	677	-	4,725
Yearbook	3,624	10,936	11,935	-	2,625
Business Professionals of America	5,782	-	-	(5,782)	-
Art club	1,196	980	278	-	1,898
SEEDS	673	-	-	-	673
Just Eliminate Lies (J.E.L.)	218	582	357	(443)	-
High school account	5,917	113	1,598	-	4,432
Class of:					
2010	960	-	-	(960)	-
2011	1,269	141	958	(367)	85
2012	877	3,481	4,030	-	328
2013	192	153	-	1,327	1,672
2014	-	114	-	-	114
Middle school band	1,483	72	25	-	1,530
Middle school student council	1,410	4,369	4,353	-	1,426
Middle school account	470	21	207	-	284
Middle school fundraiser	(58)	19,734	17,161	-	2,515
Middle School scholarship	1,285	-	-	-	1,285
Bulldog Bities Restaurant	111	-	-	-	111
Elementary	1,226	5,438	3,261	-	3,403
Elementary art	2,151	3,220	3,487	-	1,884
Totals	<u>\$ 157,353</u>	<u>\$ 297,496</u>	<u>\$ 301,738</u>	<u>\$ -</u>	<u>\$ 153,111</u>

See accompanying Independent Auditor's Report.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

Schedule 7

	Modified Accrual Basis							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues								
Local sources								
Local tax	\$3,920,554	\$3,716,148	\$4,254,772	\$3,825,239	\$4,151,862	\$4,022,781	\$3,973,148	\$4,048,951
Tuition	550,934	494,985	410,488	450,545	359,214	436,494	377,139	334,362
Other	409,131	357,288	356,316	556,153	743,492	642,149	455,373	486,340
State sources	4,026,260	3,751,832	4,443,746	4,340,322	4,051,480	3,666,552	3,641,209	3,451,503
Federal sources	466,808	719,155	145,884	157,961	195,416	175,681	232,064	174,926
Total revenues	<u>\$9,373,687</u>	<u>\$9,039,409</u>	<u>\$9,611,206</u>	<u>\$9,330,220</u>	<u>\$9,501,464</u>	<u>\$8,943,657</u>	<u>\$8,678,933</u>	<u>\$8,496,082</u>
Expenditures								
Current								
Instruction								
Regular	\$3,819,154	\$3,629,314	\$3,787,570	\$3,587,344	\$3,306,501	\$3,003,657	\$3,061,212	\$3,042,636
Special	1,147,382	999,875	1,072,013	997,712	911,008	915,070	845,138	860,062
Other	1,048,578	1,016,252	713,748	772,596	881,495	791,476	586,163	597,539
Support services								
Student	134,450	168,258	183,221	162,786	153,886	176,456	176,336	165,572
Instructional staff	306,659	323,464	340,803	270,028	265,487	298,285	95,705	149,222
Administration	636,014	726,618	734,026	704,316	712,645	649,963	765,701	798,523
Operation and maintenance of plant	576,387	567,637	572,117	597,762	587,349	504,097	444,312	479,432
Transportation	583,683	494,236	605,340	680,104	551,404	593,651	495,752	443,243
Central support services	-	1	-	-	-	-	-	70
Non-instructional programs	4,603	9,536	14,515	14,647	3,686	1,202	3,396	3,187
Other expenditures								
Facilities acquisition	439,962	914,174	406,226	273,494	534,265	586,718	426,644	101,192
Long-term debt								
Principal	-	-	400,000	445,000	540,000	845,000	820,000	785,000
Interest and other charges	-	-	7,148	44,096	66,113	100,133	129,191	163,713
AEA flowthrough	349,255	350,016	314,410	295,944	281,342	255,956	253,380	257,247
Total expenditures	<u>\$9,046,127</u>	<u>\$9,199,381</u>	<u>\$9,151,137</u>	<u>\$8,845,829</u>	<u>\$8,795,181</u>	<u>\$8,721,664</u>	<u>\$8,102,930</u>	<u>\$7,846,638</u>

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule 8

Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect				
U.S. Department of Agriculture				
Iowa Department of Education				
School Nutrition Cluster Programs				
School Breakfast Program	10.553	FY11	\$ 18,489	
National School Lunch Program	10.555	FY11	132,001	*
Total Department of Agriculture			<u>150,490</u>	
U.S. Department of Education				
Iowa Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY11	67,011	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>30,775</u>	
			97,786	
Improving Teacher Quality State Grants	84.367	FY11	31,563	
Grants for State Assessments and Related Activities	84.369	FY11	5,532	
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Education State Grants, Recovery Act	84.394	FY11	44,944	
ARRA - Education Jobs Fund	84.410	FY11	150,045	
Government Services, Recovery Act	84.397	FY11	<u>40,088</u>	
Total Iowa Department of Education			<u>369,958</u>	
Grant Wood Area Education Agency				
Special Education-Grants to States	84.027	FY11	42,196	**
Career and Technical Education -Basic Grants to States	84.048	FY11	5,224	
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	<u>49,428</u>	**
Total Area Education Agency			<u>96,848</u>	
Total Department of Education			<u>466,806</u>	
Total federal awards			<u>\$ 617,296</u>	

* Include \$21,157 of non-cash awards

** Total for Special Education Cluster (IDEA) is \$91,624

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mediapolis Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
Mediapolis Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mediapolis Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 1, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mediapolis Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal

control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mediapolis Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mediapolis Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mediapolis Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mediapolis Community School District and other parties to whom Mediapolis Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Mediapolis Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Kay L. Chapman, CPA PC". The signature is written in a cursive, flowing style.

Kay L. Chapman, CPA PC
February 1, 2012

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive Suite 3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Mediapolis Community School District

Compliance

I have audited the compliance of Mediapolis Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mediapolis Community School District's major federal programs for the year ended June 30, 2011. Mediapolis Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mediapolis Community School District's management. My responsibility is to express an opinion on Mediapolis Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mediapolis Community School District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Mediapolis Community School District's compliance with those requirements.

In my opinion, Mediapolis Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Mediapolis Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of

laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Mediapolis Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Mediapolis Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified deficiencies in internal control over compliance I consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-11 and III-B-11 to be material weaknesses.

Mediapolis Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mediapolis Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mediapolis Community School District and other parties to whom Mediapolis Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 1, 2012

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.410 ARRA – Education Jobs Fund
 - CFDA Number 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Mediapolis Community School District did not qualify as a low-risk auditee.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

II-B-11 Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District's equipment cost, depreciation and accumulated depreciation reported on the CAR in the School Nutrition Fund were not correct. These misstatements will result in a correction to the beginning balance of the School Nutrition Fund on next year's CAR.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011
INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

CFDA Number 10.553 School Breakfast Program
CFDA Number 10.555 National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410 ARRA – Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through Iowa Department of Education

CFDA Number 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State
Grants, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We have reviewed procedures and plan to make the necessary changes, as we deem necessary, to improve internal control.

Conclusion - Response accepted.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

III-B-11 Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District's equipment cost, depreciation and accumulated depreciation reported on the CAR in the School Nutrition Fund were not correct. These misstatements will result in a correction to the beginning balance of the School Nutrition Fund on next year's CAR.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

Part IV. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, some of the amounts in the School Nutrition Fund were not correct, as indicated in item II-B-11 above.

Recommendation - The District should ensure that all amounts reported on the CAR are correct prior to submission to the Iowa Department of Education. The District should also correct the beginning balance of the School Nutrition Fund on their next year's CAR to correct these errors.

Response - We will correct the beginning balance of the School Nutrition Fund on our next year's CAR, as recommended.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Beginning balance		\$ 947,579
Revenues		
Statewide sales and services tax revenue	\$ 661,217	
Other local revenues	8,089	
Other state revenues	<u>337</u>	669,643
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	<u>(271,623)</u>	
Ending balance		<u>\$ 1,345,599</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2011

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Corrective Action Plan for Federal Audit Findings
For the Year Ended June 30, 2011

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-11	Segregation of Duties	District reviewed procedures and plan to make the necessary changes, as we deem necessary to improve internal control	Dawn Kelly Business Manager (319)- 394-3101	6/30/2012
III-B-11	Material Misstatement not Detected	District reviewed procedures and plan to make the necessary changes, as we deem necessary to improve		6/30/2012

MEDIAPOLIS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2011

<u>Comment Number</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
III-A-10	Segregation of Duties	Not corrected.	Plan to segregate duties for custody, recordkeeping and reconciling among Mediapolis Community School District staff.